

**THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA,
Department of Justice
Antitrust Division
1401 H Street, NW, Suite 4000
Washington, DC 20530,

Plaintiff,

v.

ABITIBI-CONSOLIDATED INC.
1155 Metcalfe Street
Suite 800
Montréal, QC H3B 5H2
Canada

and

BOWATER INCORPORATED
55 E. Camperdown Way
Greenville, SC 29601,

Defendants.

CASE NO:

Case: 1:07-cv-01912
Assigned To : Collyer, Rosemary M.
Assign. Date : 10/23/2007
Description: Antitrust

COMPLAINT

The United States of America, acting under the direction of the Acting Attorney General of the United States, brings this civil action to enjoin the proposed merger of Defendants Abitibi-Consolidated Inc. ("Abitibi") and Bowater Incorporated ("Bowater"). The United States alleges as follows:

I. NATURE OF THE ACTION

1. On January 29, 2007, Abitibi and Bowater announced plans to merge into a new company to be called AbitibiBowater Inc. in a transaction valued at \$1.6 billion.

2. Abitibi and Bowater are the two largest newsprint producers in North America. The combination of these two firms will create a newsprint producer three times larger than the next largest North American newsprint producer. After the merger, the combined firm will have the incentive and ability to withdraw capacity and raise newsprint prices in the North American newsprint market.

3. Unless the proposed transaction is enjoined, Defendants' merger will substantially lessen competition in the production and sale of newsprint, in violation of Section 7 of the Clayton Act, 15 U.S.C. § 18.

II. JURISDICTION AND VENUE

4. The United States brings this action under Section 15 of the Clayton Act, as amended, 15 U.S.C. § 25, to prevent and restrain Defendants from violating Section 7 of the Clayton Act, 15 U.S.C. § 18.

5. Both Defendants produce and sell newsprint in the flow of interstate commerce. Defendants' production and sale of newsprint substantially affect interstate commerce. This Court has subject matter jurisdiction over this action pursuant to Section 15 of the Clayton Act, 15 U.S.C. § 25 and 28 U.S.C. §§ 1331, 1337(a), and 1345.

6. Defendants have consented to venue and personal jurisdiction in this judicial district.

III. DEFENDANTS TO THE PROPOSED TRANSACTION

7. Abitibi, the largest newsprint supplier in North America, is a Canadian corporation with its principal place of business in Montréal, Quebec, Canada. Abitibi produces and sells newsprint to customers around the world. Abitibi owns and operates, either solely or with other firms, eleven paper mills in the United States and Canada that currently produce newsprint, as well as one mill in the United Kingdom. In 2006, Abitibi's total sales were approximately \$4.85 billion, including approximately \$1.7 billion in aggregate North American newsprint sales.

8. Bowater, the second-largest newsprint supplier in North America, is incorporated in Delaware with its principal place of business in Greenville, South Carolina. Bowater owns and operates, either solely or with other firms, eight paper mills in the United States and Canada that currently produce newsprint, as well as one mill in South Korea. In 2006, Bowater's total sales were approximately \$3.53 billion, including approximately \$1.1 billion in aggregate North American newsprint sales.

IV. TRADE AND COMMERCE

A. The Relevant Market

1. Product Market: Newsprint

9. Newsprint is the lowest grade of uncoated groundwood paper (i.e., paper manufactured from mechanically processed pulp). In 2006, approximately 9.745 million metric tonnes of newsprint were sold in North America. Newspaper publishers purchase more than 80 percent of the available newsprint supply to print newspapers. Some newsprint also is used in